

Message Text

UNCLASSIFIED

PAGE 01 BOGOTA 08331 172145Z

66

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 FEA-01 AGR-10 OES-06 HUD-02 PA-02 /112 W
----- 026574

R 171833Z AUG 76

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 6773

INFO AMEMBASSY CARACAS

UNCLAS BOGOTA 8331

E.O. 11652: N/A

TAGS: EGEN, CO

SUBJ: THE COLOMBIAN ECONOMY - SOME LONGER RUN TRENDS

REF: BOGOTA A-95

SUMMARY. THIS TELEGRAM PROVIDES AN ABSTRACT OF BOGOTA A-95 WHICH ASSESSES SOME LONG-TERM TRENDS IN THE COLOMBIAN ECONOMY. THE CONCLUSION OF THE ASSESSMENT IS THAT WITHIN THE LIMITED NUMBER OF VARIABLES PROJECTED, COLOMBIA HAS A HEALTHY ECONOMY AND WITH CONTINUED SOUND POLICIES, IT SHOULD HAVE A BRIGHT FUTURE.

1. RESOURCE GAP AND PETROLEUM IMPORTS.

COLOMBIAN PETROLEUM IMPORTS WILL RAPIDLY EXCEED EARNINGS FROM COFFEE, RAISING THE QUESTION WHETHER THIS FOREIGN EXCHANGE DRAIN WILL BECOME A SERIOUS CONSTRAINT TO ECONOMIC GROWTH. THE ANSWER IS PROBABLY NOT. GROWTH IN EXCESS OF SEVEN PERCENT IS QUITE POSSIBLE EVEN WITH SEVENTY-CENT COFFEE AND A SLOWDOWN OF MINOR EXPORT GROWTH. WITH COFFEE PRICES OF A DOLLAR, OR GROWTH OF MINOR EXPORTS ONLY SLIGHTLY BELOW RECENT TRENDS, COLOMBIA CAN EASILY GROW AT SEVEN AND ONE-HALF PERCENT

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BOGOTA 08331 172145Z

WITH MINIMAL GROWING. IF MAJOR FOREIGN EXCHANGE EARNING

PROJECTS, SUCH AS COAL, LNG, AMMONIA, NICKEL AND NEW PETROLEUM PRODUCTION (IMPORT SUBSTITUTION) COME ON STREAM BEFORE THE MIDDLE OF THE NEXT DECADE, THE PROSPECTS FOR RAPID GROWTH ARE EVEN BETTER.

2. POPULATION GROWTH AND URBAN MIGRATION.

IT IS WIDELY BELIEVED IN COLOMBIA THAT HIGH BIRTH RATES AND RUNAWAY RURAL-URBAN MIGRATION ARE SERIOUSLY TEARING THE SOCIAL FABRIC AND STRAINING POLITICAL INSTITUTIONS. THIS COMMON BELIEF APPEARS NO LONGER TO BE WELL-FOUNDED. THE BIRTH AND MIGRATION RATES HAVE DECREASED SHARPLY AND WILL CONTINUE TO DO SO. THE POPULATION GROWTH RATE HAS MADE A PHENOMENAL DROP FROM OVER 3 PERCENT TO 2.4 PERCENT. MOREOVER, THE URBAN GROWTH RATE HAS ALSO DECREASED IMPORTANTLY AND WILL CONTINUE TO DECLINE. SINCE OVER 60 PERCENT OF THE POPULATION ALREADY LIVES IN URBAN AREAS, EVEN IF HIGH RATES OF MIGRATION ARE MAINTAINED THROUGH 1985, THE RATE AT WHICH CITIES GROW BECAUSE OF MIGRATION WILL DROP TO LESS THAN TWO PERCENT. CITIES SUCH AS BOGOTA, CALI AND MEDELLIN WILL CONTINUE TO GROW FASTER THAN URBAN GROWTH AS A WHOLE, BUT EVEN IN THESE MAJOR CITIES, THE RATES WILL BE SIGNIFICANTLY BELOW THE GROWTH THAT ACCURRED IN THE FIFTIES AND EARLY SIXTIES. BOGOTA, THE LARGEST AND FASTEST GROWING CITY, MAY STILL BE INCREASING BY AS MUCH AS FIVE PERCENT A YEAR, BUT THIS IS DOWN FROM PREVIOUS RATES OF 6.9 PERCENT. CALI AND MEDELLIN ARE DOWN FROM SIX PERCENT GROWTH TO LESS THAN THREE PERCENT. THIS MEANS THAT SERVICES SUCH AS SEWERAGE, WATER AND ELECTRICITY WHICH ARE GROWING BY 8.6 PERCENT IN BOGOTA AND SIX PERCENT IN THE 13 LARGEST CITIES, ARE GAINING ON THE URBAN POPULATION AND STANDARDS OF LIVINGS ARE IMPROVING. HOUSING, MOREOVER, WHILE UNDOUBTEDLY INADEQUATE BECAUSE OF PAST VERY HIGH RATES OF URBAN GROWTH, IS ALSO GAINING ON THE POPULATION.

3. EMPLOYMENT. THE WORK FORCE WILL CONTINUE TO GROW FASTER THAN THE POPULATION AS A WHOLE. WHILE THIS MEANS MORE JOBS MUST BE FOUND, IT ALSO MEANS AN INCREASING PROPORTION OF THE POPULATION WILL NOW BE PRODUCTIVE. THE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BOGOTA 08331 172145Z

LATTER SHOULD INCREASE NATIONAL PRODUCTIVITY AND REAL FAMILY INCOMES. SINCE RIGID IMPORT SUBSTITUTION POLICIES WERE ABANDONED IN 1967, EMPLOYMENT HAS BEEN GROWING FASTER THAN GNP BY SOME ESTIMATES, AND ONLY SLIGHTLY SLOWER BY OTHER ESTIMATES. WHILE DATA IS NOT GOOD, IT WOULD SEEM THAT EMPLOYMENT IS GROWING SUCH THAT WITH SEVEN PERCENT GDP GROWTH, REAL WAGES MUST BEGIN TO INCREASE BY 1980 OR THERE WILL BE LABOR SCARCITY. MOREOVER, ALMOST ALL

OF THE ADMINISTRATION'S POLICIES WILL TEND TO INCREASE
THE RATE AT WHICH INCREASES IN GDP MEAN INCREASES IN
EMPLOYMENT.

4. INCOME DISTRIBUTION. A WORLD BANK STUDY SHOWS THE
INCOMES OF THE POOREST 40 PERCENT IN COLOMBIA TO BE GROWING
FASTER THAN INCOME AS A WHOLE. THIS TREND IS BEING CAUSED
BY SOUND MACROECONOMIC POLICIES RATHER THAN BY DISTRIBUTIO-
NAL PROGRAMS; YET SEVERAL DISTRIBUTIONAL PROGRAMS ARE IN THE
WORKS WHICH MAY TEND TO ACCELERATE THE TREND, NEVERTHELESS,
IN 1985 COLUMBIA WILL STILL BE A POOR COUNTRY WITH A
PER CAPITA INCOME ABOUT THE LEVEL OF BRAZIL'S TODAY AND
INCOME WILL REMAIN POORLY DISTRIBUTED. CURRENT TRENDS
ARE NOT SUFFICIENT TO CORRECT THE GROSS DISTRIBUTION
PROBLEMS EXCEPT IN THE VERY LONG RUN.

5. CONCLUSION. EVEN THOUGH THE STATISTICAL AVERAGES FOR
COLOMBIA MAY NOT BE VERY GOOD BECAUSE COLOMBIA IS A POOR COUNTRY,
NONETHELESS, MARGINAL MOVEMENTS ARE AMONG THE BEST IN THE
THIRD WORLD. THINGS ARE GETTING BETTER IN COLOMBIA AND
THE RATE AT WHICH THE IMPROVEMENTS ARE OCCURRING IS INCREASING.
PERHAPS THESE TRENDS DO NOT TELL US MUCH ABOUT THE EVOLVING
POLITICAL ORDER FOR STABILITY, BUT IF POLITICAL ATTITUDES AND
STRESS, LIKE ECONOMIC PHENOMENA, ARE MORE AFFECTED BY
THE DIRECTIONS OF MARGINAL CHANGES THAN BY AVERAGES,
THE STRESSES SHOULD ALSO BE DECLINING. WHILE WE WILL CONTI-
NUE TO HEAR THE CLICHES OF THE '60S (CITIES
INUNDATED BY POOR MIGRANTS, GROWING UNEMPLOYMENT,
DETERIORATING URBAN SPRAWL, FALLING REAL INCOMES AND
GROWING INCOME GAP BETWEEN RICH AND POOR), THE REALITY
WILL PROBABLY BE OTHERWISE. SHOULD DISCONTENT GROW
OVER THE NEXT DECADE, IT WILL PROBABLY BE DUE TO
OTHER THAN LONG-RUN ECONOMIC VARIABLES. IN AN ECONOMY
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 BOGOTA 08331 172145Z

THAT SUFFERS COFFEE-PRICE-CAUSED CYCLICAL SWINGS AND
HIGH LEVELS OF POLITICAL SURFACE HEAT, THE CRITICAL
LONG-RUN ECONOMIC POLICY QUESTION THEN IS WHETHER OR
NOT GOVERNMENTS CAN RESIST UNSOUND SHORT-RUN
PALLIATIVES, AND THUS AVOID DIVERTING POLICY
FROM ITS PRESENT PROGRESSIVE AND LIBERAL PATH.
SANCHEZ

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BOGOTA08331
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760316-0075
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760848/aaaabpev.tel
Line Count: 161
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 BOGOTA A-95
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2004 by ReddocGW>; APPROVED <10 DEC 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THE COLOMBIAN ECONOMY - SOME LONGER RUN TRENDS
TAGS: EGEN, ECON, CO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006